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Message Text

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53
ACTION XMB-04

INFO OCT-01 AF-06 ISO-00 SSO-00 INRE-00 USIE-00 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 TRSE-00

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 /045 W
---------- 110200
O 141242Z JAN 76
FM AMEMBASSY NAIROBI
TO SECSTATE WASHDC IMMEDIATE 7199

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FOR DAVID O. BEIM, EXECUTIVE VICE PRESIDENT, EXIM;
JOHN W. LENTZ, LOAN OFFICER, EXIMBANK;
ROBERT DUNCAN, AF/EPS

E.O. 11652: N/A
TAGS: EFIN, EXIM, KE
SUBJECT: EXIM FINANCING FOR HOTEL NAIROBI INTER-CONTINENTAL

1. REGIONAL PANAM MANAGER, JAMES MICHELSEN (BASED NAIROBI), ES EXTREMELY CONCERNED BECAUSE EXIMBANK HAS INDICATED IT WISHES MODIFY TERMS IT WILL EXTEND ON FINANCING FOR EX-PANSION HOTEL NAIROBI INTER-CONTINENTAL. GROUND-BREAKING CEREMONY WITH ATTENDANCE HIGH GOK OFFICIALS SCHEDULED FOR TOMORROW, JAN. 16 IN BELIEF ALL FINANCING COMPLETE. TOTAL COST EXPANSION $8 MILLION. EXIM PORTION (DIRECT LOAN AND GUARANTY, $1.6 MILLION).

2. MICHAELSEN ADMITS THAT EXIM LOAN AUTHORIZATION AP-PARENTLY
EXPIRED FEBRUARY 1975 AFTER LOCAL CORPORA
SON,
KENYA HOTEL PROPERTIES, HAD PAID COMMITMENT FEE
SINCE MID-1972 THROUGHOUT PROTRACTED NEGOTIATIONS WITH GOK, FINANCIAL INSTITUTIONS, AND CONTRACTORS. NONETHELESS, ACCORDING MICHAELSEN, VICE PRESIDENT OF IHC DEVELOP-H
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MENT DEPARTMENT IN NEW YORK, REYNOLDS BURGUND, RE-

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CEIVED VERBAL ASSURANCES FROM BOTH EXIM AND FIRST
NATIONAL CITY BANK IN SEPTEMBER 1975 THAT LOANS
WERE STILL VALID AND IN PLACE. MR. BURGUND REPORTEDLY
TOLD EXIM THEN THAT KENYA HOTEHW PROPERTIES WAS WILLING
PAY COMMITMENT FEES WHICH WOULD NORMALLY HAVE BEEN
BILLED.

3. TODAY, HOWEVER, MICHAELSEN RECEIVED
TELEGRAM FROM NEW YORK INDICATING THAT BOTH EXIM
AND FNCB NOW WISH HAVE NEW TERMS AT RATES HIGHER THAN
THOSE AGREED ORIGINALLY BECAUSE BOTH BANKS CONSIDERED
COMMITMENT TO HAVE EXPIRED IN FEBRUARY 1975. MICHAELSEN
SAID THAT FNCB IS FLEXIBLE, AND WOULD
FOLLOW A RETURN BY EXIM TO ORIGINAL TERMS.

4. MICHAELSEN CORRECTLY POINTS OUT THAT ANY CHANGE
IN TERMS WOULD REQUIRE ENTIRE PROCESS FOR GAINING GOK
APPROVAL OF TERMS TO START ALL OVER AGAIN, INCLUDING
NEED TO GET PARLIAMENTARY APPROVAL FOR GOK GUARANTY.
HE ESTIMATES DELAY TO PROJECT WOULD BE MINIMUM SIX
MONTHS AND WOULD BE VERY COSTLY IN TERMS ON-GOING COST
ESCALATIONS. HE DRAMATIZES URGENCY HIS PLEA BY STATING
THAT HE WOULD ARGUE JUST AS FORCEFULLY FOR NO CHANGE
IN TERMS EVEN IF EXIM NOW WISHED TO OFFER MORE FAVORABLE
TERMS THAN ORIGINAL.

5. ACTION REQUESTED: THOUGH EXIM UNDOUBTEDLY HAD
COMPELLING REASON FOR ADJUSTING TERMS, WE STRONGLY
RECOMMEND THAT IN THIS CASE EXIM RETURN TO ORIGINAL
TERMS AND INFORM EMBASSY IT HAS DONE SO IMMEDIATELY;
THAT IS, BEFORE GROUND-BREAKING CEREMONY
07:00 AM (WASHINGTON TIME) TOMORROW,
JAN. 16. THERE IS NO QUESTION WHATEVER THAT MICHAELSEN'S
INFORMING GOK AND KENYAN SHAREHOLDERS ABOUT CHANGE IN
TERMS JUST BEFORE CEREMONY (WHICH HE MUST DO, AS
MATTERS NOW STAND) WOULD HAVE VERY ADVERSE POLITICAL
IMPLICATIONS FOR AMERICAN BUSINESS IN KENYA. KENYANS
WOULD FEEL, RIGHTLY OR WRONGLY, THAT AMERICAN BANKS
ARE SQUEEZING THEM AT LAST MOMENT AFTER THEY ARE
COMMITTED TO PROJECT AND THEREFORE SEEMINGLY HELPLESS.
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REQUEST IMMEDIATE NIACT REPLY. TELEPHONE NUMBER MR. LENTZ
IS 382-2228.

DECONTROL 1/14/77
MARSHALL

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